NOVEMBER 1957

The Mortgage Banker

The staff bids goodbye to MBA Secretary George H. Patterson. See page 22.

in this issue - - - - - - - - - - - THE CITY TODAY, ITS PROBLEMS AND THEIR SOLUTION ★ CRUCIAL PERIOD FOR MORTGAGE LENDING

The Mortgage Banker

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PUBLISHED MONTHLY BY THE **MORTGAGE BANKERS ASSOCIATION OF AMERICA**

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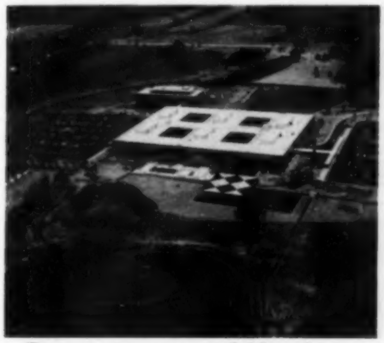
THE MORTGAGE BANKER is distributed monthly to members of the Mortgage Bankers Association of America. Opinions expressed are those of the authors or the persons quoted and are not necessarily those of the Association. Advertising rates on request. Subcriptions: Of the Limited, Regular and Associate dues, $4.00 is for a year's subscription to THE MORTGAGE BANKER, the official monthly publication of the Association. Separate copies 35c. Entered as second class matter at the post office at Chicago, Illinois, under the Act of March 3, 1879.

Volume 18 **NOVEMBER, 1957** **Number 2**

IN THIS ISSUE

In September, Connecticut General Life Insurance opened its new home office building in Bloomfield, five miles from downtown Hartford. This small photo gives some idea what it looks like.



But not a very good idea, it must be admitted. The project is one of the great architectural achievements of the century—Time magazine showed something of the extent of this achievement in its full color pictures. It is a building that must be seen to be appreciated. It is located on a 275-acre tract, most of which will be left in a natural state for wildlife. The diamond-design roof is over the 800-seat dining wing which overhangs a reflecting pool. The main building is penetrated by four garden courts 72 feet square, making it possible for nearly all employees to be within 35 feet of a window. The five-level wing houses some administrative offices and the public lobby. There is parking for more than 1000 cars. People who have seen it agree that in this age of sensational construction, this structure is still something very special.

To signal the opening, Connecticut General sponsored a unique symposium on The New Highways where authorities discussed their impact and possibilities from every angle. Two of them were **James W. Rouse** and **Boyd T. Barnard** whose contributions appears in this issue.

Harry Held is an MBA associate governor, a member of the Trust Committee and a frequent speaker at Association meetings. He addressed the Savings Banks Association of Massachusetts in Poland Springs, Maine.

Roger M. Blough addressed ABA's 83rd Convention in Atlantic City.

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THIS SEAL

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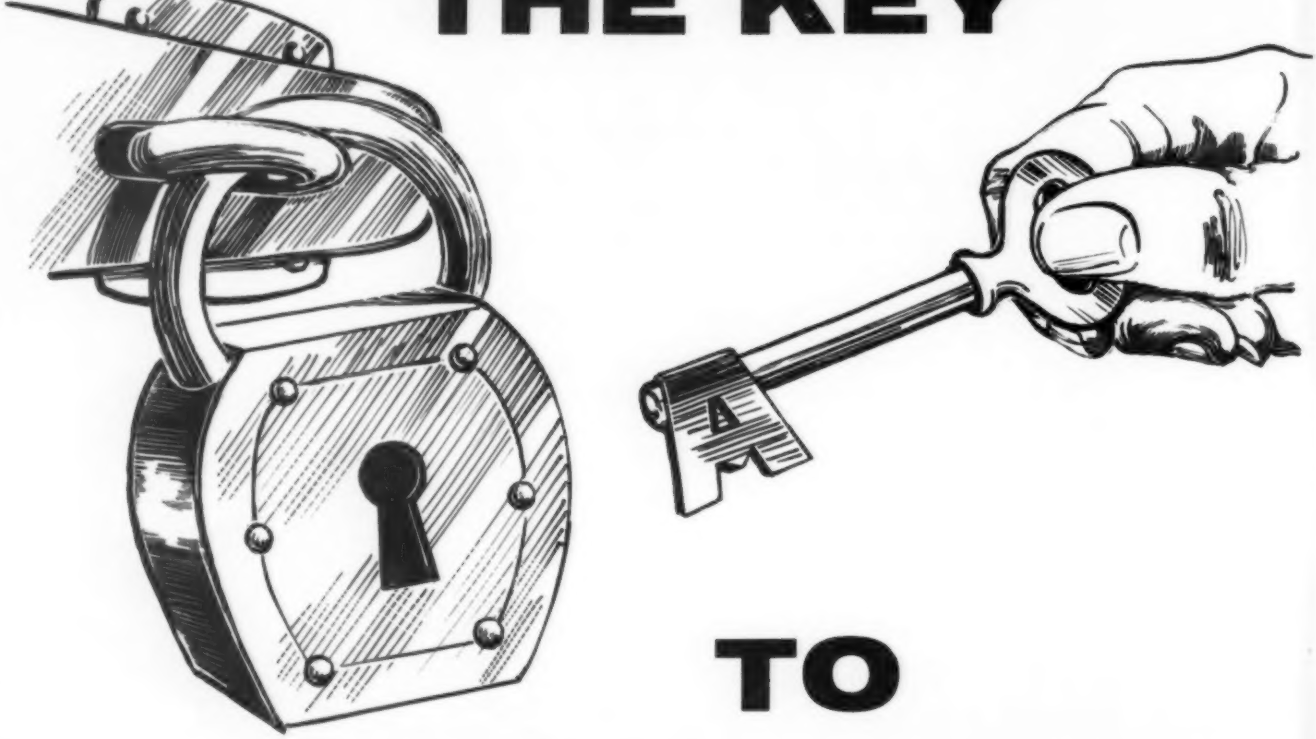

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CRUCIAL CROSSROADS
IN MORTGAGE FINANCE

While housing production of between one million and 1,100,000 new units annually would represent a satisfactory level for the next few years, says Mr. Held, we must gear our mortgage lending mechanism to finance substantially greater new housing production in the 1960-1970 period. Conservative estimates of new housing in this period indicate about 1,500,000 new units annually to adequately take care of the demand through population growth and new family formations. In this review of the mortgage business, Mr. Held goes back to analyze some of the past in the government side of the industry. He does not think we are through with the threat of more federal encroachment by any means.

THE last sentence in Dr. J. E. Morton's book on "Urban Mortgage Lending," published last year, states:

". . . the evidence suggests that for the improvement of lending policies, increased importance must be attributed to the correct observation and analysis of conditions in the economy as a whole: to factors affecting loan experience that extend far beyond the horizon of individual mortgage transactions."

This suggestion, among others which were generated as a result of the comprehensive survey made by Dr. Morton of the comparative markets and experience in mortgage lending, is, in my opinion, a timely one.

I dare say no one will deny we are living in a dynamic economy, and that the trend of the economy as a whole will become more and more dynamic in the years ahead.

Let us ask ourselves if there is any validity to the suggestion that "for the improvement of lending policies, increased importance must be attributed to the correct observation and analysis of conditions in the economy as a whole."

The answer is rather obviously in the affirmative in the light of our experience in recent months of the "tight money" and the rising interest rate markets. It is also in the affirmative in the light of maximum production in our economy, industrial expansion and population growth. Likewise, the affirmative answer becomes more obvious when we recognize that the construction industry is conceded to be a bulwark of economic prosperity and the housing, which has been a matter of national policy since 1934, has reached such stature that recommendation has been made to change its status from an administrative function to one of Cabinet post and rank.

Let us analyze the question of the Government's role and present activity in the field of housing.

In the enactment of the original National Housing Act in 1934 the preamble stated that the fundamental purpose of the legislation was "to encourage improvement in housing standards and conditions."

Two further goals were set in this legislation—one to provide a financing system to make debt-free homes possible for American families, the other to exercise a degree of stability in the mortgage and real estate market. These fundamental purposes were ex-

By **HARRY HELD**

Vice President, The Bowery Savings Bank — *New York*

panded in the Housing Act of 1949 through a Declaration of National Housing Policy which states:

"The Congress hereby declares that the general welfare and security of the nation and the health and living standards of its people require housing production and related community development sufficient to remedy the serious housing shortage, the elimination of sub-standard and blighted areas and the realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family, thus contributing to the development and redevelopment of communities and to the advancement of the growth, wealth and security of the nation. The Congress further declares that such production is necessary to enable the housing industry to make its full contribution toward an economy of maximum employment, production, and purchasing power."

An additional provision of the Housing Act of 1949 consolidated all housing agencies under a newly created Housing and Home Finance Agency as the coordinating head of many and various administrations having to do with housing. Under its jurisdiction are included the FHA, the PHA (Public Housing), the Federal Home Loan Board, Urban Renewal, Research, Alaska Housing, Community Facilities, Federal National Mortgage Association, School Housing for Primary and Secondary Schools, College Housing for Faculty Use, Disaster Housing and many other duties of the same nature.

From this brief resumé of the basis of National Housing policy and the activities centralized under the HHFA, there can be little doubt that the role of the Federal Government in housing and mortgage lending is an economic factor of prime importance to mortgage lending institutions. While the Veterans Administration home loan program is independent of the HHFA, it likewise must be considered as a major factor in the Government activity in the housing and mortgage field.

While the major emphasis in the Government's housing program has been one of encouragement of private enterprise to build and finance housing, the direct lending activities of the Federal Government through the Federal National Mortgage Association and through the Veterans Administration's direct loan program have been expanding in recent years. Originally both of these programs were for the purpose of supplementing the secondary market for mortgages in areas where capital is unavailable through private lending sources. We have consistently testified before Congressional committees, on behalf of National Association of Mutual Savings Banks, that the Government's activities in the secondary market should be confined to their original purposes of directing mortgage funds to areas of scarcity and in relieving temporary situations of lack of liquidity. We have likewise constantly opposed any use of direct Government lending for the purpose of pegging unrealistic interest rates on federally underwritten mortgages and the use of the Federal National Mortgage Association facilities for the purpose of financing special assistance programs under the FHA at rates of interest far below current mortgage rates. In the 1957 session

of Congress a Senate proposal was included in the housing bill to expand the already approved Military and Co-operative Housing Special Assistance Programs in order to make the following groups eligible for special assistance from FNMA for 4 per cent mortgages insured by FHA:

(1) persons of moderate income;

(2) persons whose inability to obtain adequate housing accommodations in privately financed housing is attributable to race, color or creed;

(3) elderly persons;

(4) single persons;

(5) persons having five or more dependents.

The financing terms under these programs were to be liberal to an extreme and the proposal carried with it an authorization for the purchase of $250 million of these mortgages through the Federal National Mortgage Association Special Assistance Program. While we have no quarrel with the social objectives embodied in the proposal, the intent of which was to raise the housing standards of these groups, we have voiced objection to any program as a special assistance program of governmental purchase of mortgages at par, based upon the opinion that such programs can lend themselves to abuse and unwise use of commitment authority, as well as being self-defeating. In addition, such programs would be certain to add to the fires of inflation and be inconsistent with other actions taken by the Government to stem inflation.

This legislation, although defeated this year, presents a challenge to all institutional mortgage lenders and home builders to demonstrate that these segments of our population can be adequately housed and that financing can be provided by private mortgage lending sources without the necessity of direct Government lending. That such a demonstration is necessary at this time is self-evident be-

"Expansion of Government credit into special assistance programs is an opening wedge toward more and more direct Government lending. If private enterprise cannot meet the challenge of financing the housing needs for all segments of our population, there is little doubt that, willingly or unwillingly, there will be expansion of direct governmental lending. . . . By use of governmental credit secured at low interest rates, there have been available to specific segments of our population mortgage funds at interest costs below current rates of interest on privately placed mortgages. Expansion of such direct lending can only be combatted by private enterprise through a recognition of the necessity of gearing mortgage lending policies and practices to the needs of our population as a whole."

cause the further the inroads of direct Government lending are made the less mortgage investment opportunities will be available to private enterprise.

Expansion of Government credit into special assistance programs is an opening wedge toward more and more direct Government lending. If private enterprise cannot meet the challenge of financing the housing needs for all segments of our population, there is little doubt that, willingly or unwillingly, there will be expansion of direct governmental lending. Direct mortgage lending by Government at low interest rates has not been exclusively limited to the Federal Government. In quite a few States the State governments have embarked upon direct lending programs primarily for veterans and urban rehabilitation and slum clearance. Thus, by use of governmental credit secured at low interest rates, there have been available to specific segments of our population mortgage funds at interest costs below current rates of interest on privately placed mortgages. Expansion of such direct lending can only be combatted by private enterprise through a recognition of the necessity of gearing mortgage lending policies and practices to the needs of our population as a whole.

Private enterprise has already made the first successful stride in this direction through the Voluntary Home Mortgage Credit Program. In directing funds to areas of scarcity the participants in this program have constructively minimized the necessity for direct lending by financing mortgages on a sound basis in such locations. The maximum effectiveness of this program depends upon maximum participation by all mutual savings banks in meeting the challenge of direct Government lending.

One of the foremost questions in the housing market involves the availability of mortgage investment funds. During the past year, capital which normally would be invested in mortgages has been diverted to other investment media, and Government-sponsored housing programs have lost much of their effectiveness.

Fixed interest rates on FHA and VA loans have undoubtedly been one of the major factors in such diversion

of investible funds. On a yield basis, federally underwritten mortgages have been at a progressively greater disadvantage. Efforts to free the interest rate on such mortgages have not only been rebuffed by Congress, but discounts on such mortgages have, legislatively, been made subject to regulations by the FHA and VA administrators. While the unattractiveness of federally underwritten mortgages, from a yield standpoint, has been a major factor in the contraction of funds available for mortgage investment, other factors have also taken their toll.

Many institutions have already reached, or are close to their desired percentage of mortgage investments in relation to their total assets. Higher interest rates have had a discouraging effect upon refinancing of mortgages and the making of prepayments on existing mortgages thus tending to reduce somewhat the supply of investible funds from these sources. In addition, the median price of houses has increased to $12,000 in 1956 compared with $10,000 in 1955, requiring more mortgage dollars a unit. As a matter of fact, mortgages have increased in size more than house values. In early 1957 almost 5 in 10 mortgages equalled 50 per cent or more of the owners' estimates of home value in contrast with less than 4 in 10 in early 1949.

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All of these factors have had a bearing upon the supply of mortgage investment funds and new sources of mortgage capital are being sought from pension funds and union welfare funds. The situation has also, in effect, forced action toward meeting the need for a new approach to financing home mortgages.

A plan sponsored by the United States Savings and Loan League is already before Congress. This plan would create a Home Loan Guaran-

tee Corporation under auspices of the Federal Home Loan Bank Board with $50 million capital stock to be subscribed by the Federal Home Loan Banks, which would partially insure or support conventional mortgages in the secondary market in much the same way as the Government does for FHA and VA mortgages but without limited interest rates. The National Savings and Loan League is also working on a proposal to be made next year for the formation of a corporation which could issue 5- or 10-year debentures to be made available for trust funds, pension funds and other types of investors who do not like long-term mortgages. The FHA has already given its blessing to a plan formulated by the Institutional Securities Corporation of New York to issue debentures backed by FHA mortgages, for sale to pension, trust or other funds.

At the present time, we are at a crucial crossroads in the field of mortgage investments. While housing production of between one million to 1,100,000 new units annually would represent a satisfactory level for the next few years, we must gear our mortgage lending mechanism to finance substantially greater new housing production in the 1960 to 1970 period. Conservative estimates of new housing needs in this period indicate about 1½ million new units annually to adequately take care of demand through population and new family formation growth. One bright spot in the availability of funds in the 1960s is that the rate of amortization on existing level payment loans will be at much higher levels thus creating a good basic supply of reinvestible funds. However, much thought must be given by private mortgage lenders now as to how to meet the demands of the '60s in order that machinery may be set up in advance to meet the situation.

On the immediate horizon is the big question as to how housing can be provided for middle income families at prices and carrying charges which they can afford. Chairman Rains of the House Banking and Currency Committee has already announced that he will hold hearings on this vital subject. A Senate report stated that:

"Families of moderate income—earning roughly between $3,500 and $6,000 a year—are finding in today's

market that the price of adequate housing is beyond their reach."

The 1957 "Survey of Consumer Finances" conducted by the Board of Governors of the Federal Reserve System made the following findings:

"The recent growth in home ownership was concentrated largely among spending units with incomes of $5,000 or more in 1956 dollars. In early 1957, 79 per cent of all non-farm spending units with incomes of $7,500 or more, and 64 per cent of those with incomes of $5,000-$7,499, were home owners. The corresponding figures in early 1949 were 69 per cent and 55 per cent. In part as a result of the movement of spending units into higher income groups from early 1949 to early 1957, consumers with incomes of $5,000 or more owned more than one-half of all non-farm houses early this year, compared with only three-tenths in the earlier period."

In 1956, the median income of purchasers of new and existing homes was $5,640.

"About 5 per cent of all non-farm spending units purchased houses for their own occupancy in 1956," according to the survey of consumer finances. "Two-thirds of these purchases were existing houses."

With a tight mortgage money situation and rising interest rates, difficulty was encountered by would-be purchasers of older houses in financing their purchases, and the monthly cost of debt service also increased, requiring higher income levels to meet such charges. During the peak years of the '20s the middle income housing problem was met to a great extent by the building of rental apartment units. In this period, nearly half of the dwelling units built were in apartments. During the past few years single family dwellings have accounted for between 80 per cent and 90 per cent of the new dwelling unit construction.

It also has been contended that the scarcity of financing, for smaller homes, caused some builders to concentrate on larger and more expensive conventionally financed homes. Many other causes have also been voiced in connection with the high price level of homes at the present time, two of the most prominent being higher land development costs, and increasingly restrictive building codes and ordinances.

While many reasons may be advanced to justify present new house prices, the fact remains that the middle income group cannot afford to buy at present price levels and Congress expects to do something about the situation.

The housing industry of our country faces the tremendous task of keeping housing production moving at levels consistent with population demands. Some idea of this task was outlined in "House and Home," which said:

"Close to 900,000 new homes are needed each year just to keep up with net new household formation (around 750,000 a year), farm to city migration (around 75,000 a year) and demolitions incidental to fire losses, highway development and store, factory and apartment construction, etc. (probably another 75,000). So if we build 1,000,000 new homes a year we would have only 100,000 available to replace dilapidated and outworn units. At that rate it could take 80 years to get today's 8,000,000 substandard units off the market and 470 years to turn over our present housing inventory. If we build 1,100,000 units a year it would take 40 years to get today's junkers off the market and put replacement on a 235-year cycle.

"Neither of these alternative offers much hope of raising the standard of housing or providing anywhere near enough homes such as most Americans will want in 1980, when the median family income will be over $8,000."

Financing this production depends upon the availability of mortgage financing. One might say that he is interested only in his local situation but I would like to point out that each single transaction which takes place locally eventually ends up in the national figures. Mortgages have, for over a century, been considered prime investments for savings banks. Since 1934, housing has become a matter of national policy. What are the roles that Government and private enterprise should take in the field of housing? Senator John Sparkman, chairman of the Subcommittee on Housing, of the Committee on Banking and Currency of the United States Senate, in an address to the MBA Southern Conference at Atlanta, Ga., stated his basic philosophy with respect to this question, as follows:

"I believe it is the function of Government to encourage private enterprise to do the job and to take direct action only where it is necessary to fill in the gaps left by private enterprise. This is a traditional American principle which, as you know, is easier to state than to apply to specific cases.

"Second, I believe it is my duty to the American people to learn what their needs are, and to assist them in obtaining at least their minimum requirements.

"I can state very briefly what I believe are the most urgent housing needs:

"(1) We need a good, lower-priced house. This would enable us to broaden the market for housing to meet the needs of middle- and lower-income families.

"(2) We need a more effective mortgage market. Private mortgage banking is being called upon, as never before in our history, to create and operate the market mechanism that will assist millions of Americans to obtain better housing at prices they can afford.

"Whether the immediate and long-

term housing needs of the American people will be met with a small or large degree of Government assistance is a decision that is as much the responsibility of you in private mortgage banking as it is for us in the Congress.

"If you produce the mortgages and distribute them in a manner that meets the demands and the requirements of the majority of the American people, the pressure for Government assistance and regulation will be minimized. But until you do, or at least give substantially more evidence that you can, the present pattern of responsibility and control is not likely to undergo any great change."

Summarizing, it seems to me that to appraise the present mortgage situation and make sensible predictions of the future, we must look not only at the mortgage market itself but at the broad economic picture. Specifically, in making judgments in this field, we should recognize:

» The amount of mortgage money available in recent months has decreased because of the competitive interest rates on other investments, the decline in pay-offs and the saturation of the mortgage portfolio from the policy standpoint of lenders.

» The demand for mortgages has somewhat slowed down as indicated by the Consumer Survey.

» Even though the demand has slowed down, there has been an outcry for mortgage money which has impelled Congress to step up its attempts to have Government play an increasing role in mortgage lending. This tendency, if permitted to grow, will not only reduce the opportunities for private enterprise in mortgage lending but will contribute to initiation which in turn will hold interest rates high and contribute to further price increases, thus aggravating the entire situation. This problem is further aggravated by the virtual certainty that commencing three or four years from now there will be a dramatic increase in population and family formation which will again challenge the ability of private lending institutions to meet mortgage demands.

Housing is an essential commodity and traditionally its financing requirements have been effectively made available by private enterprise. The function of Government, as stated by Senator Sparkman, should be "to encourage private enterprise to do the job"; but in this process the private lending system should be such that steps taken by the Government do not impose unrealistic restrictions on private lending nor lead to the preemption of the field by direct government lending.

$17 Billion Now Are in Annuities

American families now have about $17,000,000,000 accumulated in an estimated 5,400,000 annuity contracts, the Institute of Life Insurance reports. These contracts represent substantial future income, the amount set up at the start of this year being $2,113,000,000 per year.

More than 85 per cent of these annuity contracts are fully paid for

and nearly one-fourth of these fully-paid contracts are already paying income to the annuitants. The balance represents deferred annuities still being paid for.

These annuity contracts are in addition to the estimated 2,750,000 retirement income life insurance policies in force, which include another $1,400,000,000 of potential retirement income per year.

The combined annuity and retirement income contracts establish future of annual income of over $3,500,000,000 under 8,150,000 individual contracts. This is an understatement, according to the Institute, as the group annuities, which account for about 70 per cent of the annuity contracts, show only the future income already established on an annual paid-up basis, each year of employment of those covered adding to this figure.

The annuity growth has been largely a product of the years since the mid-1930s, relatively few annuities of any type being in force then. Group annuities are almost entirely a development of the past 20 years and have been given further impetus in the past year or two as the size of groups covered has been widely decreased. Last year saw a peak in the number of group annuities sold, although because of the smaller average size, the number newly covered dropped slightly below the year before. The average size group covered last year was less than half that of ten years ago.

Big Year for New Insurance Firms

Life insurance companies of the United States numbered 1,242 on June 30 of this year, an increase of 103 from a year ago and 798 more than in 1940.

More than 85 per cent of the more than 700 companies started since 1950 were in the South and West. These two sections of the country account for 946 of the companies now in business, the Institute says.

The figures are based on an analysis of the reports on companies licensed to do business by the insurance departments of the 48 states and the District of Columbia.

The expansion of new companies in the South and West has been an important contributing factor in the increased ownership of life insurance in those sections, which have gained much more rapidly than the rest of the country.

Life insurance companies are now located in every state and 18 states have 20 or more companies. Texas leads the state list, with 338 companies domiciled there; Louisiana is second with 112; next in rank are: Arizona, 54; South Carolina, 48; Alabama, 46; Indiana, 42; Illinois, 39; Georgia, 33; Arkansas, 29; Florida, 29; Pennsylvania, 29; New York, 29.

There are 299 cities with life companies housed locally, Dallas leading with 135. Next in rank are: Houston, 64; Fort Worth, 39; New Orleans, 39; Chicago, 26; Philadelphia, 26. There are 32 cities with 10 or more companies locally domiciled.

Of the 1,242 companies, 1,077, or 87 per cent are stock companies and 165 or 13 per cent are mutuals.

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This Country Won't Stand For Continued Inflation

Big Steel, because it is big, catches it coming and going; and today with the Big Debate about inflation in full swing, it's again on the catching end because of the recent rise in steel prices. Well, there are always two sides to every story and Mr. Blough has a good one to tell as to why his company did what it had to do. The explanation: inflation; and what, he asks, are we going to do to halt its steady rise—or, to pin-point it even more, when will some of our legislators understand what is causing it?

By **ROGER M. BLOUGH**
Chairman, United States Steel Corporation

THE other day I received a letter from a retired school teacher who is living on his pension in a trailer park in Florida, and who is feeling the pinch of inflation. In the envelope was a notice which he had just received from his bank in St. Petersburg, and which read as follows:

"To Our Safe Deposit Customers: Due to the rise in the price of steel and increased operating costs, it becomes necessary for us to increase the rental of our safe deposit boxes. This increase is reflected in the attached bill."

On the back of this notice, the school teacher had written a little note saying:

"The notice on the reverse of this slip amused me no end because I am one of your small shareholders. Of course, my tiny safe-deposit box was bought long before U. S. Steel last raised prices. But perhaps you can use this absurd notice to show how U. S. Steel is being made the goat for heavy rains, drought, Asiatic flu and the Japanese beetle."

But ridiculous as much of this furor over steel prices has been, I must add—in the immortal words of Queen Victoria—that "We are not amused"; for inflation is no laughing matter.

In a sense, it is very much like atomic radiation—insidious, invisible, inescapable, and deadly. It helps none; and it spares none. It can corrode and dismantle the free system of production that made progress in this country possible. It can eat away the security which this generation prizes so highly. It can even jeopardize our cherished hopes for a peaceful world.

So let us make no mistakes about it. The American people are not going to tolerate rapid inflation as a permanent way of life. They are going to insist that *something* be done about it. But will it be the right thing? Or will the cure, perhaps, be even more deadly than the disease?

It is entirely possible, I suppose, to cure our economic headache by cutting our economic throat; and the deplorable fact of the matter is that this is precisely the cure which has been practiced by governments in nation after nation throughout several thousand years of world history. One might like to ponder—as I have during the past few weeks—a little exchange that took place at the hearings of the Kefauver Committee last month.

Senator O'Mahoney had asked me to tell him what I thought Congress and the Executive Department should do about stopping inflation. I replied that I hesitated ever to advise Congress or the Executive as to what they should do.

Well, retorted the Senator promptly, "You'd better begin because you might get what you do not like if you don't!"

And that, of course, is only too true. Unless people in every branch of economic endeavor can advise Congress on this problem of inflation, the whole nation may get what it won't like— a "cure" that is worse than the malady. And unless our people as a whole can understand this many-faceted problem, there is little hope that they can deal with it wisely —either in their own individual activities, or through their representatives in Washington.

Yet within the limited scope of his own individual horizons, every American is, in a sense, an expert on the subject of inflation. He is dealing with that problem daily, and has been for the better part of the past 17 years.

It is true, of course, that the problem presents itself to different businesses and different economic groups in different guises . . . that it may seem to stem from different sources, and may be met in different ways. And that is why each of us sees the problem in a different setting and has his own individual views as to what should be done about it on a national scale.

It seems to me that inflation presents a double threat to our national welfare: First, there is the danger of the disease itself; and second, there is the still-greater danger that—failing to understand the problem thoroughly—we may be led to resort to some suicidal remedy.

I am disturbed by the fact that many of our influential leaders seem to be more interested in finding a scapegoat upon which to vent our national wrath, than in locating the real cause, and effectuating the cure of the malady. Pinning the tail of inflation upon the hard-working industrial donkey may be great fun and an innocent sport—or it could, conceivably, be a carefully contrived maneuver designed to dupe the American people into a vast extension of the powers of Government and a wholesale surrender of their traditional and constitutional freedoms.

Certainly an uninterrupted rise in the cost of living—if it continues long enough—will provide a powerful weapon in the hands of those who have never abandoned their efforts to atomize business, destroy our system of competitive capitalism, and to refashion our national economy in the image of the foreign ideological gods at whose shrines they seem to worship.

Yet the fact is, of course, that the present inflation is by no means unique to America. It is world wide. And thus far, it has been much less severe in the United States, under freedom of enterprise, than it has been in many of the nations abroad where Government exercises wide socialistic powers.

The current annual report of the Bank for International Settlements presents a study showing the rise in the cost of living in thirteen of the other principal nations of the world during the past three years; and in twelve of these countries prices have gone up much farther than in the United States. Only in Japan have they risen less.

So it would appear that the methods which are now being employed, under our enterprise system, to combat inflation have been more effective than those which are in general use abroad.

When we seek an explanation of the present inflation in America, it is difficult to find a better one than that which appeared not long ago in the London Economist. It was discussing inflation in England; but Cinderella's slipper could hardly have fitted her better than the Economist's shoe fits American inflation. It said:

"There are, broadly, two kinds of inflation. There is the inflation that is caused by 'too much money chasing too few goods,' that is, by excessive demands at existing prices for the goods and resources available; and there is the inflation caused when (above all) wage costs persistently and generally rise faster than output.

"In practice, of course, the distinction between 'too much money' and 'too much wages' as a cause of inflation cannot be pressed too far: In each case the consequence is a general rise in prices, either pulled up by excessive demands or pushed up by excessive costs; and the so-called cost inflation could not continue if there were not enough money about to enable the ever-higher wages and the ever-higher prices to be paid."

And to this explanation, the Economist adds:

"There can be little argument about the guise in which the infection presents itself for treatment at this moment. It is cost inflation and overwhelmingly the largest cause of it is the way in which the trade unions are exploiting the present strength of their bargaining position. . . ."

Now all of this seems to square, to a T, with our experience in the steel business. So far as supply and demand are concerned, we have done in our own outfit about all we could do to help increase the supply of the steel goods which we are producing. We have renovated, improved, replaced and expanded our capacity. Through constant reduction of controllable costs, and by careful forward planning, we have sought and obtained ever-greater production from our existing facilities. And today the fact is, that except in a very few product lines, the capacity to supply steel is greater than the demand.

So our major inflationary headaches are born not out of an excess of demand. They are primarily of the wage and cost increase type, as the figures published in our annual reports

"The question simply is: What can labor and business and all of the rest of the American people, in their collective wisdom and their individual activities, do about inflation? And the mere statement of the problem itself seems to suggest two possible approaches in addition to those money and credit policies which have lately received so much attention:

"The first—and most desirable approach—would be to increase productivity to the greatest possible degree in order that the inflationary gap between the too-rapid rise in wages and the laggard improvement in productivity may be narrowed or eliminated.

"The second, and most difficult approach, would be to avoid future wage increases to levels not clearly supportable by rising productivity. And presumably the final and only practical answer will be found in a combination of these two approaches."

clearly show, year after year.

Since 1940, our employment costs per man hour have risen by an average of a little more than 8 per cent per year, compounded annually. At the same time, all our other costs have risen even more rapidly; so that our *total* costs per man hour—including wages, purchased goods and services, taxes, and everything else—have increased at an average annual rate of almost 9 per cent, compounded. Meanwhile, we have been able to increase output per man hour by only 2 to 3 per cent a year—a figure, incidentally, which compares closely with the nation-wide improvement of about 2 per cent annually.

So what happens when your costs go up by nearly 9 per cent annually, and the best you can do to increase productivity — by putting in new equipment, by installing better methods, by adding incentive plans, and by doing everything else in the book —the best you can do is to reduce your costs between 2 and 3 per cent a year?

Well, the answer is: You either try within competitive limitations to take in more dollars from your customers or you go broke.

So in order to bridge the widening gap between our rapidly mounting costs and our slowly improving productivity, prices have been raised, according to the Bureau of Labor Statistics about 5½ per cent per year on the average. But even this has not fully offset the effects of inflation upon business, for never—in any year since the present cycle of inflation began in 1940—has our profit rate, as a percentage of sales, been as high as it was in that year. Each year we hope to recover this ground that inflation has cost us; and we are still hoping. But we haven't made it yet.

Now these are the simple facts of the matter as attested by the duly audited reports of our company. But what puzzles me deeply, and confounds me considerably in the face of these facts, is the approach that is taken by a few—though, happily, not all—of the members of a Subcommittee of our senior legislative body in Washington with whom we have had recent contact.

So far as these few members are concerned, the politically-unpalatable facts that I have outlined here just don't exist at all. They do not deny them; they do not accept them. They simply ignore them; and go on searching for some other explanation of the present inflation, in the hope that it may prove to be less embarrassing.

These few members would like to show that the current inflation is rooted squarely in rising industrial profits. But the fact, of course, is that total corporate profits after taxes last year were smaller than they were in 1950. Even if we make no allowance whatever for the depreciation of the dollar—and it is totally unrealistic not to do so—we still find that the total dollar profits of corporations as a whole have never been as large in any year since 1950 as they were then. And as a share of the total national income they have declined even more sharply—from 9 per cent to 6 per cent.

During the same period compensation of employees has risen by $87 billion; and as a share of the national income it has increased from 64 to 70 per cent.

But when we point these facts out, and inquire politely how falling corporate profits can possibly contribute to inflation, we are greeted by a deafening silence and our critics promptly shift their ground.

Steel profits, they say, are different. Steel profits are inflationary.

And when we point out that in the steel industry as a whole the profit rate in relation to sales has never, in any year, exceeded the level which prevailed in 1940 before the present cycle of inflation began, and has been lower in each of the last six years than it was in 1950, they say that profits as percentage of sales have no meaning.

The *right* way to measure profits, they insist, is to take the latest single quarter or single half-year as a base and to multiply our earnings by 2 or 4, as the case may be, in the optimistic expectation that the resulting figure will correctly reflect our total profit for the year. Then they tell us we should measure these 50 cent profit-dollars as a percentage of all of the 60-, 80-, or 100-cent dollars that we have invested in our business over the past 25 years; but in doing so, we must never, never, make any allowance for the differing value of these dollars.

Then, having done this, we must plot on a chart a dubious correlation between our percentage return on investment and our steel production as a percentage of capacity and cross our fingers with respect to the future operating rate. And when we have done all this, they say, we will find that our profits are going to be simply wonderful and that we didn't really need any price increase at all.

Now that is about as nonsensical a concept of statistical measurement as a prudent student of economic affairs could readily find in a lifetime of diligent search. It is something like measuring the size of a cow's feet as a percentage of the number of teeth in the cow's mouth, and correlating the results to the color of the cow's tail in order to arrive at the price of milk!

But when we point this out to our dedicated critics in the gentlest possible terms, they hear no word that we have spoken, and promptly take refuge in the charge—so widely publicized by organized labor—that for every dollar of direct increased wage costs, our prices have gone up three dollars.

I find that the mental processes of these few members of our senior legislative body are something of a puzzlement to me; for they fully understand the wage costs are only a part of our total costs, and that all these other costs are rising too, and must be met if we are to stay in business.

Should we patiently mention that fact, however, it fails to register, and our critics retort, in greater triumph: "Ah, but you administer your prices!"

And that, of course, is very clever of them; for so many of the unpleasant things in life seem to be "administered." Medicine is administered to the reluctant schoolboy. So is punishment. And it all sounds very horrible—even though there is nothing new about the term, which has been used with some political success for nearly twenty years.

But when we point out that the prices people pay for almost everything they buy are what are now termed administered prices—whether these things are bought from big companies or small companies, or from the butcher, the baker, or even the

(Continued on page 30, column 1)

OUR CITIES ARE OBSOLETE

AND we will not make them what they ought to be by merely clearing slums and eliminating blight. What is needed—and what surely is coming—is to create neighborhoods out of sprawling blocks and to project the city's future growth in human-being-sized neighborhoods. With the great highway program ahead, Mr. Rouse believes we have an opportunity now to do more than we have ever done to revitalize the city along the lines of what it should be. He addressed the Connecticut General's symposium on The New Highways (see page 3).

WE WILL never make our cities what they ought to be simply by clearing slums and eliminating blight. There is a lot more wrong with them than the physical condition of the buildings, the streets and the alleys. A gigantic and fully effective physical cleanup program would simply restore the physical condition of our cities to the beginning point of the deterioration pipeline, but it would have little effect upon the forces for deterioration which dragged them down in the first place.

It is not merely the physical condition of our cities which is out of kilter. Even the well-maintained, unblighted areas of most of our cities fall far short of the hopes and aspirations of our families and far short, too, of our knowledge of and technical capacity for better living.

The fact is that the city is out of scale with the human being. It is beyond his scope and capacity. It is unmanageable. It is only in an abstract way that the human individual can feel a part of his city.

We must make the city consist of communities which are in human scale—communities of which the individual can feel a part and for the life of which he can feel a sense of participation and responsibility. This means a city of neighborhoods, not neighborhoods drawn on a map and labeled in a planning office, but neighborhoods in fact; neighborhoods which are given shape and definition by natural boundaries, such as parks, playgrounds, schools, hospitals, public buildings of all kinds and, most important of all, by our highways. Such neighborhoods, sharply defined by natural boundaries, protected from the sheer overwhelming size of the city; planned from within as complete communities with schools, shopping, churches; with thru-traffic routed around them on major highways and with slums and blight removed—these are the kinds of neighborhoods in which families can feel a sense of belonging, about the growth and health of which they can be concerned, for which they can feel a sense of responsibility, and in which they can take a healthy pride.

By **JAMES W. ROUSE**
James W. Rouse & Company
President
Baltimore

The problem of the city is to create these neighborhoods out of its present mass of sprawling blocks and to project its future growth in human being sized neighborhoods.

The highway is the most important single force in this neighborhood creation. A huge unplanned highway program will rip through and around the cities with little attention to neighborhood destruction or neighborhood creation. But, a highway program that recognizes its enormous potential in partnership with urban renewal will relate every highway plan to its neighborhood impact.

There are two important expressions of this impact:

» First, it is vital to neighborhood creation and protection that main traffic streams be removed from the residential communities and transferred to planned inter-neighborhood and inter-city traffic streams. The future highway becomes important in channeling objectionable traffic, dirt and noise out of the neighborhoods.

» Second, the highway is important in that its width and function automatically create an effective boundary defining and protecting a neighborhood on either side if it is planned, located and constructed with this purpose in mind.

This business of neighborhood creation and protection is not new. Most of the development of our cities has been by accident to date, and the accident of growth has created in almost every city some examples of "natural" neighborhoods. In almost every instance of strong neighborhood revival there have been natural protective forces at work which have given shape and meaning to the particular area as a neighborhood.

There are two good examples in Baltimore. Generations ago there were two villages, each located about three miles north of the center of Baltimore, and themselves less than a mile apart. In time the City grew to them and eventually around and beyond them. These two villages were known as Waverly and Hampden.

Waverly had no natural protection from the City and became completely embraced in its gridiron pattern of development. Other than as a name on the map, there was nothing to distinguish Waverly from the rest of Baltimore in its vicinity. Because the houses were older and cheaper, they become occupied by the lower income families. Gradually, they deteriorated, and in 1932 the HOLC used Waverly as a case study of a blighted neighborhood which could be restored through effective rehabilitation. No plan for rehabilitation was pursued, however, and by 1948 Waverly was one of eight slum areas marked for redevelopment at the outset of Baltimore's redevelopment program. It became, in fact, the first private slum clearance project in the City and has now been cleared and redeveloped with new apartments and a new shopping center.

Hampden, on the other hand, was a topographic island. It had deep cuts to the east, west and south. On the east and south this cut became a City park. On the west, it was a highway and main railroad line which supported the old factories which had brought it into being in the first place. To the north, new, fine residential development occurred. The houses in Hampden are as old as those in some of the worse slum areas in Baltimore—75 years or more. The area is overbuilt with long rows of brick row houses. It is pock-marked with spot commercial zoning. There are too many houses and too many people for the land area. It is essentially a low and lower-middle income community, and it has most of the forces at work which we normally think of as creating slums and blight.

But, the fact is Hampden is no slum. It is not marked for demolition nor, despite spots of poor maintenance, is it regarded as a blighted community. Hampden is in fact a neighborhood. It requires no label on a map. It has its own churches, its own shopping street, its own community life. It is able to count its own war dead and to erect a monument in their memory. Hampden has a conscience, a spirit, a soul as a neighborhood. Had it not been protected by natural topographic boundaries, Hampden, as the oldest and lowest income area in its part of the City, would surely have been infected by the soullessness and hopelessness which spreads through the inner-City infecting and killing residential communities.

The highway is our great new "topographic" opportunity to give neighborhoods definition.

The city's entire public works program must be thought of in terms of its potential for neighborhood destruction or creation. Schools, playgrounds, hospitals, public buildings of all kinds, each has the opportunity to provide a neighborhood core or a neighborhood boundary or, if illogically and haphazardly located, each has the opportunity to split up and break apart areas which might have been made into neighborhoods with more thoughtful planning and programming.

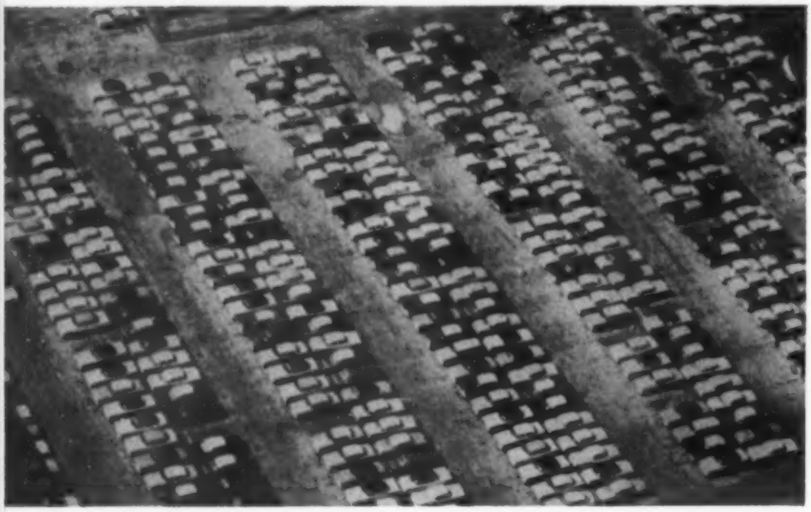
But, most important of all in the public works program is the highway. Wilfred Owen in his brilliant and provocative "challenge" asks whether the new highway program will "help to resolve the basic problems that underly the plight of our cities?" It will do so if it is intimately related to the whole urban renewal task and if at every step there is an awareness of its hugh potential for neighborhood creation or destruction. But, if

it is not so related and thought about, the highway program will neutralize or even destroy a major part of the work undertaken in the name of urban renewal.

This would be waste on a scale never matched in the history of American city development.

in just the past few years that business has awakened spontaneously and vigorously in city after city to its legitimate concern about and responsibility for the development of the city.

The Allegheny Conference in Pittsburgh represented an alarmed uprising by the business leadership of our methods of food production, distribution and preparation as our knowledge has advanced—so with clothing and medical care. Techniques of communication, transportation and education have all improved with the development of our knowledge and our aspirations, but not so



"Never before in the history of the American city have such powerful forces combined in so short a space of time to exert such an overwhelming pressure on the structure of the city. All *the growth of the United States is occurring in the cities. All of us know the figures: a projected 55,000,000 increase in the population of our cities in the next 20 years. This means an average 50 per cent growth and this is combined with a violent change in the method of transportation, which causes a projected 100 per cent increase in the automobile population over the next two decades. This growth of people and automobiles is like suddenly putting two or three human bodies to work on the arteries and blood vessels of a single human system. There simply is not enough capacity to carry the load."*

For years, the problem of the city was left largely to the planners, the professors, the students of urban growth. Slums were considered to be primarily a social problem reserved for the "do gooders." "Planning" was an ugly word which you didn't dare use too often before a group of business men, or your motives were suspected.

These ideas are now shifting. It is not just a sense of good will, brotherhood and concern for our fellow citizen that impels an interest in slums. As a community of people, we have suddenly become aware that slums and blight and physical deterioration are an economic burden for the whole community; that our cities face bankruptcy not only as social units, but also as financial corporations if we cannot halt the physical deterioration which carries with it a steady erosion of the taxable base. Similarly, we have come to realize that the problems of traffic, public transportation, parking and highways are not just matters of personal convenience, but they also go to the heart of the economic strangulation of the central city. It is really that City against its withering decay. The business community asserted the leadership which, working hand in hand with planners and enlightened public officials, resulted in the splendid Golden Triangle project and the over-all reawakening of a new Pittsburgh. Similarly, in St. Louis it is Civic Progress, Inc., in Cleveland the Cleveland Redevelopment Foundation, and in Baltimore very recently the Greater Baltimore Committee by which business men have responded to a new awareness of their responsibility for the way their city develops, and what kind of a place it becomes in which to live, to work, to play.

At the national level, ACTION has brought top level business leadership together with planners, housers, educators and public interest groups who have long wished for more business help in dealing with the enormous problem of city development.

The fact is our cities are obsolete. They are the shame of America. In no other phase of human life is there such a gap between our knowledge and our performance as in our physical surroundings in the city. Over the years we have continuously up-dated the city. With progress on all other fronts, the city seems only to have compounded its congestion, confusion and clutter.

As we shorten hours, increase incomes, and raise the sights of our families on how to live, we increasingly expose the obsolescence of our cities and reveal the enormous gulf between the way in which our people want and know how to live and the way in which they do live.

When we begin to see our cities in the proper terms, we will stop thinking so much about how we can share up the worn out old structure; how we can put new wine in the old wine skins; and we will begin to think more in terms of how we can make our cities fit the pattern of the way we ought to live and not so much about how we can make our people accept the city as it is.

Such thinking means a revolution in the city, and a revolution is what we are in the midst of. Never before in the history of the American city have such powerful forces combined in so short a space of time to exert such an overwhelming pressure on the structure of the city. *All* the

growth of the United States is occurring in the cities. All of us know the figures: a projected 55,000,000 increase in the population of our cities in the next 20 years. This means an average 50 per cent growth and this is combined with a violent change in the method of transportation, which causes a projected 100 per cent increase in the automobile population over the next two decades. This growth of people and automobiles is like suddenly putting two or three human bodies to work on the arteries and blood vessels of a single human system. There simple is not enough capacity to carry the load.

Our attempts to deal with this radical change in our method of moving about have consisted largely of treating the symptoms and very little attack upon the major problem itself. We build parking spaces; make one-way streets; build a few highways; but for the most part, we are still trying to squeeze the people into the same old city.

The fact is that the people are in revolution against the form of the city which we are trying to make work. With more time for recreation, gardens and families, and more money to spend on them, people are looking and behaving less and less like the formal regimented brick and concrete cities in which they are asked to live. Station wagons, blue jeans, barbeques, give expression to the casual, mobile, outdoor family living that marks the American family. They seek space and they are finding it, in the scatteration around our cities.

It is not just people and their houses that are revolting against the city, it is also business and industry. Hundreds and hundreds of business offices have been built on the edges of our cities with less boldness, imagination and taste than this, but in sufficient quantity to give clear indication of the magnitude of the movement. So with industry—no longer are new industrial plants associated with grime, filth, smokestacks—no longer huddled together in bleak and dirty factory districts. The new industrial plant has clean lines and a clean face, grass, flowers, parking area and elaborate employee facilities.

And then there is the shopping center. First, a few groups of stores built around the most frequently used retail facility, the super market, but gradually evolving into a new and complete "main street" designed to fit the lives of today's families. No longer blocks of stores piled into a maelstrom of people, automobiles, street cars, buses, traffic lights, noise and dirt, these new centers are convenient, gay and human. Ample parking and landscaped parking areas conveniently organized in relationship to the stores and their particular parking demands. The stores themselves face each other across landscaped malls (sometimes, as at Southdale in Minneapolis, heated and air conditioned). There are sidewalk cafes, exhibits and displays, families shopping together and music in the air. It is an easy and relaxed shopping situation compared to the old city.

Add it all up. The new lives of our people and their new houses, office buildings like this, open landscaped industrial buildings, shopping centers like Southdale, and you have the people's expression of the way we want to live and work.

Wilfred Owen brilliantly puts the questions with which such planning must deal. It will take hard work and clear thinking to provide all the answers. But, aren't some patterns fairly clear? Knowing what we know now about what's wrong with the old city and seeing what we do in a setting such as this about what could be, it isn't too difficult to paint, with a broad brush, a picture of the metropolitan region as we might create it today if we were starting from scratch. Surely, the basic neighborhood unit would be dignified and protected so that the family could live in an environment in which it felt at home and of which it felt a part.

"Over the years we have continuously updated our methods of food production, distribution and preparation as our knowledge has advanced—so with clothing and medical care. Techniques of communication, transportation and education have all improved with the development of our knowledge and our aspirations, but not so the city. With progress on all other fronts, the city seems only to have compounded its congestion, confusion and clutter. As we shorten hours, increase incomes, and raise the sights of our families on how to live, we increasingly expose the obsolescence of our cities and reveal the enormous gulf between the way in which our people want and know how to live and the way in which they do live."

With the vast highway program ahead, how irresponsible it would be, if we failed to organize it around our best knowledge of what the metropolitan region ought to be. What a great lift we will give to the progressive forces.

What the New Highways Will

ASIDE from war itself, few challenges have faced us equal to the challenge of our cities and the provisions that must be made for their economic, social and cultural rebirth during the next fifty or one hundred years. In considering the relationship of highways to the pattern of land use, particular attention must certainly be given to certain fundamental premises:

» Further urbanization in the United States seems inevitable and with that continuing trend, new problems will arise in connection with the use of land that heretofore needed to be given little consideration.

» Decisions involving the qualitative control of land use, as well as quantitative, will be increasingly before us.

» The import of a highway program upon present and future planning for urban renewal and vice versa must be accounted for in all planning.

» A total transportation concept must supplant a highway concept in metropolitan areas.

» The highways' influence on the pattern of land values is clouded by insufficient research.

» Further urbanization seems inevitable. What will some of the new problems be as this trend continues to, say, 1975?

This trend will continue even with a static population; with an increasing population as predicted, it will accelerate.

A recent study on metropolitan growth by the Scripps Foundation indicates that by 1975 urban metropolitan growth will have converted from agricultural (crop and pasture land) to non-agricultural uses between 7 and 8 million additional acres. This represents 14 per cent of the 1950 agricultural resources of the 174 standard metropolitan areas in the United States and does not include noncrop or pasture land, woodland, etc. How much thought has been given to the economic consequence of this situation alone? The Department of Agriculture estimates that during the last ten years "probably as much as a million acres of rural land is absorbed annually by urban and related non-agricultural uses." The Soil Conservation Service estimates on the basis of a field survey that a total of 20 million acres of cultivable land were converted to non-agricultural use between 1942 and 1956 (14 years). Little research has been done on this subject until recently.

The figure of a million acres a year going into home sites, industrial and commercial developments, defense establishments, highways, airports and other non-agricultural uses is startling enough. But that is only half the story. The quality of the land taken was above average. Most land around metropolitan areas is under intense cultivation. Truck farming is the rule. To substitute for that land is difficult to impossible. Reclamation is economically not feasible. Other farm land farther out is converted to truck farming and the costs, delays and problems of transportation into the city markets become a new consideration in the highway program.

Are we in danger of encroaching upon our food supply? At this time it is hard to answer in the affirmative as to total supply, with food surplus filling the warehouses. But the continuation of the trend, thereby necessitating the development and use of marginal land and still more marginal land for truck farming, may very well cause us to look again at the so far disproven Malthusian theory.

There are already instances of attempted control of agricultural land. The 1954 census of agriculture shows important declines in the older centers of the fruit and vegetable industry in California. The supply is limited, the suburban growth phenomenal. Action is now being taken to zone some of the most valuable and most scarce agricultural land for agriculture, making it impossible for it to be converted to other uses.

The kind of urban pattern that takes place on these 7 to 20 million acres in the next 20 years will have a profound effect on the economy, both locally and nationally. What kind of urban pattern do we want to induce—lineal, nuclear, scattered or concentrated? The highway program can and will inevitably be a controlling factor in this pattern. In the East Bay area of San Francisco new highways must come to help move traffic toward the East. Should it take a logical route through the Livermore Valley? If it does, it begins to destroy forever, through the inevitable development following such highways, the wine grape industry of this area which probably can never be replaced elsewhere with the same natural advantages. Or should highway developments follow some other route with more consideration for the total economic aspects involved and not just those involving the highway itself? Just how far can we go in continuing to preempt highly productive food-producing land as opposed to less productive types in accommodating this urban increment, and how concentrated can we permit it to be?

We must begin to look more closely at the "qualitative" as opposed to the "quantitative" use of land. Realtors and appraisers are accustomed to the term "highest and best use" of land. This term refers only to its monetary aspect—its value in terms of money. Perhaps we may need to redefine "highest and best use" in terms of suitability in the over-all economic scheme of things rather than the use which will produce the highest monetary return. Today food production is as much an industry as is that of steel or chemicals. Qualitative characteristics of food-producing lands are naturally present in some areas and

Mean to Land and Values

Shortage of land in and around metropolitan areas is already an acute problem but the strong possibility is that we haven't seen anything yet. By 1975, it has been estimated that between seven and eight million additional acres will be gobbled up for urban metropolitan growth. What are the possibilities which the new highways create for

the cities? The skeptics who conclude this is something to worry about in the distant future are wrong; the problem is here and will become more acute in the immediate years ahead. Mr. Barnard spells it out.

***By* BOYD T. BARNARD**

Chairman, Central Business District Council, Urban Land Institute

not in others. Some lands are characterized by their mineral content, be it stone, oil, copper, iron. To presume that highways across such land tend to destroy its full economic usefulness today and in the future, is a premise that will need careful examination.

The qualitative concept of "highest and best use" would preserve and create parks now adjacent to streams and rivers and through woodlands. The value of amenities to future generations resulting from proper planning in and around our growing metropolitan areas cannot now be measured. In this metropolitan growth the highway system must, among other things, fit its program to that of the planned recreational areas which are to be created.

Past emphasis in highway planning may have been too much upon sound engineering features and too little on the over-all picture. For the motorist on the highway the shortest distance between two points, with the minimum of grades, is very satisfying. But is it sound to follow a route however well engineered, that breaks up park land, arboretums, destroys creek valleys, severs specialized agriculture, elevates through highly restricted residential areas and creates blight both adjacent and beyond? Is the expediency at the moment for the motorist from another community the only or even the primary consideration? It has been in the past, but should it continue?

I am impressed with the fact that in the condemnation of property for highways in metropolitan areas emphasis is always placed upon the sanctity of the home and its owner

who must be dispossessed. His rights must not be weakened. What route should be followed if one destroyed a hundred homes in a suburban community, while the other destroyed fifty homes but also split a college campus, destroyed a priceless arboretum and a park along a picturesque creek, all within 12 miles of the heart of a great city?

There is a specific case like this near Philadelphia. The decision went against the route involving the larger number of home owners. It was an encouraging sign of perhaps a changing point of view, with emphasis on the qualitative definition of "highest and best use." Disrupted living, change of home environment, planting new roots, all these are hard to bear for the individual. However, homes can be replaced, new communities do build up that are often better than the old, and owners are usually adequately compensated. A college campus cannot be easily enlarged or relocated, the arboretum could not be recreated in a generation, the park characteristics of the area would be forever destroyed had the route affecting the fewer number of homes been chosen. Clearly the engineering aspects of a highway system are to be considered, but perhaps more incidentally than as the major determinant.

The current highway program can help materially to realize or to defeat the "highest and best use" in these new terms by its location. Thus can we continue merely to locate highways to satisfy the engineering requirements of cut, fill and alignment, or are we consciously going to place them in locations calculated to produce the best results in terms of highest and best land use—urban, suburban and rural? It seems to me that only in the latter way can we win the war although it may mean losing today's battle of expediency.

The highway program will fail of its objective and could be a negative factor in the future of our metropolitan areas if it is not made a part of metropolitan urban renewal plans. Urban renewal plans will likewise fail and perhaps add more to urban blight if they are not coordinated with highway plans. As has been so ably pointed out by Wilfred Owen, there is not now nor are there definite future plans for an effective liaison between the two programs. Either one is the most significant undertaking for the betterment of our metropolitan areas that has occurred in our lifetime but each will be completely ineffective without the other.

Urban renewal is getting under way. It has been slow, with many mistakes. The replanning and reuse programs and reuse valuations have been confused. City after city now has its enabling legislation and its master plan. Hundreds of blocks for redevelopment have already been cleared. Private interests are at work on construction of new developments. How the new expressways and highways are to coordinate with such redevelopment must be settled soon. Will we coordinate our planning in time? Will an organization be set up which can function as a unit for the good of the metropolitan community as a whole? The highway program can aid redevelopment or it can further blight marginal areas that should be saved through proper coordinated planning.

Probably no one point in the new highway challenge to the metropolitan area is more important than this —*the metropolitan problem is not highway transportation but total transportation*. Highways are necessary but they must function as a part of the over-all method of bringing people into, out of, around and through the cities and their suburbs. No one type of transportation can function without regard to the impact upon other types. Good public transportation is the backbone of a metropolitan community. The private car owner is only one segment of the population. Over-attention to him may not only harm non-car owners but it may finally strangle him in the congestion that will inevitably result if improved highway conditions are not meshed with all forms of metropolitan public transportation. Cities are beginning to see the wisdom and necessity of a complete transportation plan. To put such a plan into effect offers many difficulties due largely to the various levels of government involved—the same difficulties that arise in metropolitan planning of any kind.

Some farsighted city and metropolitan officials have recognized the severity of the problem and have already moved into action, attacking it while there is time. The metropolitan area of Toronto has conducted extensive studies on the problems facing it. It recognized that mass transportation, automobile transportation, land use, population growth, and other concerns of urban life are so inextricably woven together that it is impossible to deal with them independently without causing serious maladjustments that result in unnecessary costs.

The report prepared by the Stan-

> ***"Everyone wants highways—but they want them conveniently located in someone else's back or front yard. Location with regard to total direct cost and indirect damages, including social damage, should be given increasing consideration. The public appears to be more conscious of its rights and privileges. Individual reaction to a route is being replaced by organized mass reaction. Planning is becoming more difficult. The planners' constituencies are rapidly broadening. Our democratic way encourages this situation. Planning in the future must include many concepts, economic and social, which have previously been ignored or treated very lightly by the highway planner."***

ford Research Institute, on the organizational and financial aspects of the proposed San Francisco Bay Area Rapid Transit System, also recognizes the essence of the problem before all large metropolitan areas by indicating that highly efficient local transit is socially necessary.

Los Angeles has likewise begun to recognize its transportation problem. This area is an extreme example of the sprawl of metropolitan urban and suburban areas without the benefit of extensive, integrated, rail transportation lines. The area is covered with an elaborate network of wide expressways and highways that have been provided by the public at enormous cost and which occupy acres of highly valuable land that has been removed from the tax base. Yet this extensive highway system has failed to meet the transportation problem of the Los Angeles area. Last May the chairman of the Los Angeles Transit Authority outlined details of the Authority's plan for a $45 million metropolitan area rapid transit system. The monotony of driving up to two hours daily on a 60-mile an hour freeway is already making many motor commuters wonder if such a beating every day is worth it.

The new freeway running from the heart of downtown Chicago west with its provision for high speed electric service between the in-and-outbound auto lanes is a fine example of metropolitan transportation planning.

In New York increasing recognition over the years has been given to the transportation problems, not only of the nation's largest city, but of the New York metropolitan region as a whole. The Metropolitan Rapid Transit Commission has been conducting a study of the area's problems under its project director, Arthur W. Page. After 18 months' work with the assistance of numerous technicians, consultant and engineers and at a cost of $800,000, Mr. Page submitted his report to the Metropolitan Rapid Transit Commission. This report emphasizes the need for extensive metropolitan area rail facilities that would be a basic and integral part of the entire transportation picture.

New highways create changes in land use and in land values. It is unfortunate that insufficient research on the subject of land value precludes definiteness. A broad study is badly needed. Samplings can be had, but are insufficient to warrant general conclusions. Highways piercing through fully developed areas appear to depreciate surrounding property, particularly adjacent property. This is tempered, however, by the income or social bracket of the occupants. The higher the value, the greater the percentage of depreciation. At what distance depreciation ends and appreciation begins is at present indeterminate. There is evidence, however, that appreciation does begin somewhere in the affected area with some dependency upon proximity to an interchange. Highway locations through developed areas seem heretofore to have ignored either the acquisition costs or the noncompensable damages or both. The emphasis has been on engineering features.

Everyone wants highways—but they want them conveniently located in someone else's back or front yard. Location with regard to total direct cost and indirect damages, including social damage, should be given increasing consideration. The public appears to be more conscious of its rights and privileges. Individual reaction to a route is being replaced by organized mass reaction. Planning is becoming more difficult. The planners' constituencies are rapidly broadening. Our democratic way encourages this situation. Planning in the future must include many concepts, economic and social, which have previously been ignored or treated very lightly by the highway planner.

In undeveloped areas the records on land damages are also confusing. Interchanges near metropolitan communities have often resulted in creating fabulous land values for new uses, including residential developments, planned industrial parks and shopping centers. Oddly enough, some of this land was left over in the condemnation of farm land and handsome prices paid to owners as "damage to the remainder." The "damaged" remainder has, in turn, soared upward to values of $40,000 per acre and above, when shortly before it was farm land at a few hundred dollars per acre.

Since the interchange tends to pattern a change of use near metropolitan areas, it becomes more and more obvious that their selection be made from a number of viewpoints beyond that of mere highway accessibility.

The wisdom required in locating the highways and the interchanges will involve many and varied talents. The objective must be to place these tremendous investments in the right places. The economic and social consequences for future generations are difficult of comprehension but the way will open up somehow if we have the courage to accept the responsibilities which are ours.

CONTINUED INFLATION

(Continued from page 21)

undertaker—our critics reply that the steel industry is different. . . it is a highly "concentrated" industry—as if that were necessarily, and of itself, a bad thing.

Now the fact is, of course, that the most successful industrial community in the world—industrial America—is made up of industries all of which are usefully specializing in some field. And it's hard to find an industry which requires large invested capital, which doesn't fall within the critical limits of what the word artists call "concentrated."

The fact also is that, according to the Department of Commerce, at least one quarter of all of the industries in the United States are more highly "concentrated" than steel; but this impresses our critics not at all. Concentration in the steel industry, they say, is increasing; and they prepare voluminous reports to show that U. S. Steel is the largest producer in many of the leading steel product lines—a disclosure that will hardly come as a surprise to anyone in view of the fact that United States Steel has been—throughout the fifty-six years of its history—America's biggest producer of steel; and I am happy, of course, that it still is.

But when I confess reluctantly, and with some injury to our corporate pride, that throughout these 56 years our competitors have been taking an ever increasing share of the total steel market away from us—that they have grown far more rapidly than we have . . . that for the first time in history we now produce less than 30 per cent of the steel that is made in America, where once we produced 66 per cent; and that if this is what our critics call "increasing concentration" we wish they'd tell us what we can do about it . . . again, they hear me not.

And so the big debate between political fantasy and economic fact goes on, to the consternation and confusion of us all.

Now I am sure—or at least, I am *reasonably* sure—that most of this talk about "concentration" and "administered prices" is not born out of any conscious desire to make a frontal attack upon the American industrial system as a whole. But why, then, does it persist?

Could it be that there is a kind of a blind spot in certain legislative quarters? Is this blind spot in some way associated with the attractiveness—politically speaking—of *not* bringing into Congressional debate the wage-cost phase of this inflation problem? Could it be that increasing wage costs by double and triple any annual improvement in productivity is a matter of no political moment? Or does this blind spot forestall seeing what is only too evident and what is there available for all to observe?

Now I am not suggesting by any means that the critics of business have no right to criticize. In fact, one of the great attributes of this country is its willingness to give—and to take—criticism. Healthy criticism is as American as blueberry pie. It is a necessary by-product of our democratic institutions and our free way of life. It is to be invited. It is to be expected. It is practically universal. There are critics of foreign policy;

there are critics of domestic policy; there are critics of labor unions; critics of the Supreme Court; and I know of no good reason why businessmen should expect to live in a world without criticism when even an occasional highly respected Congressional investigating committee is not above having *its* friendly critics.

But we can expect, I think, that when criticism comes, it be well informed, and reasonable, and—hopefully—that it be constructive. And surely we can also ask whether any debate which maneuvers at the intellectual levels that the present debate has achieved in certain quarters can serve any useful purpose to America.

I am convinced that we shall never solve this problem of inflation by spreading political smokescreens designed to conceal the facts. Nor can we retard the march of inflation one whit by pointing the finger of blame at any group of our citizens. To select big business, or organized labor, or any other economic group as a convenient whipping boy, and to heap calumny and abuse upon this hapless victim will help us not at all when our task is first to understand the causes of inflation. Understanding these causes, our task then is to curb inflation—not to punish those who may, unwittingly and in over-eager pursuit of perfectly proper and legitimate ends, have contributed to its progress.

So if—as the London Economist concludes, and as I am forced by the facts to conclude—a primary source of our present-day inflation is to be found in the fact that wages have been forced up far more rapidly than productivity, this does not mean that organized labor is a public enemy, or that the leaders of labor cannot be expected to act with an understanding responsibility and with regard to a proper balance between what labor contributes to production and what it takes out.

The question simply is: What can labor and business and all of the rest of the American people, in their collective wisdom and their individual activities, do about it? And the mere statement of the problem itself seems to suggest two possible approaches in addition to those money and credit policies which have lately received so much attention:

The first—and most desirable approach—would be to increase productivity to the greatest possible degree in order that the inflationary gap between the too-rapid rise in wages and the laggard improvement in productivity may be narrowed or eliminated.

The second, and most difficult approach, would be to avoid future wage increases to levels not clearly supportable by rising productivity. And presumably the final and only practical answer will be found in a combination of these two approaches.

Now a national effort to increase productivity is a task that will command the most diligent and intelligent efforts of all of us—labor, management, bankers and Government. That labor, if it approaches the problem with real enthusiasm, can—through its own, on-the-job efforts—still contribute greatly to improved productivity, I do not doubt; but the greatest part of the task will necessarily fall upon management, for it largely depends upon the willingness and the financial ability of industrial enterprise to risk vast sums of money on the development and installation of better and more efficient tools of production.

But if these large capital sums are to be gathered and spent without, in themselves, contributing to the forces of inflation, the total supply of savings in this country must be expanded considerably. And here, I think, is where Congress can wisely and fruitfully serve the welfare of all by acting to encourage saving on the part of our people, and by acting to protect and enlarge the incentive to invest these savings in productive enterprise. For if existing and prospective legislation were to be examined carefully with this point in mind, I am sure that Congress would find many opportunities to make a real contribution to increasing productivity.

When we look at the other side of the picture, however—the task of preventing uneconomic and excessive wage-rises in the future—it is much easier to agree, I think, on what we should *not* do, then to determine what we *should* do.

And clearly the thing we should *not* do is to seek to impose any form of wage controls upon our people, whether or not these are accompanied by price controls. These twin controls have been perpetrated on inflation-ridden nations of the world throughout recorded history; and almost inevitably with disastrous consequences—but never, so far as I can ascertain, have they halted inflation. In fact, if you were to examine most carefully the total hourly employment costs of United States Steel, year by year, since 1940, you would find it almost impossible to identify the nearly seven years when wage controls were in operation and the over ten when they were not.

So the answer here lies in our ability to bring about a broad public understanding of the problem itself.

For there is no doubt that if the American people thoroughly understand this problem, they in the course of their normal daily activities will provide the ultimate controls and the ultimate solution to inflation. They have the greatest power in the world—the power of informed public opinion; and they have the greatest stake in the outcome of this battle against the loss of the dollar's value.

» FAREWELL: Two days before he relinquished his duties as MBA Secretary and Treasurer after 26 years service, the Association's Chicago staff gave a party for George H. Patterson. They presented him with a movie camera, thanked him for his counsel, guidance and leadership during the past and wished him the best in his new life. There will be one last reunion at the Dallas Convention. Staff members were there:

First row, left to right: Mrs. Genevieve Perryman, Mrs. Tracy Jirsa, Robert J. Beran, Lois Skonie. Second row, Purnell Zarat, Mrs. Mary Moore, Mrs. Carol Roberts, George H. Patterson, Mrs. George H. Patterson, Mrs. Frank J. McCabe, Jr., Jean Biermann, Lorraine Stenwall, Mrs. Rubye Horrie. Third row, Richard G. Oller, James G. Wasson, Barbara Lewandowski, Grace Penn, Lewis O. Kerwood, George H. Knott, Frank J. McCabe, Jr., Marlene Gustafson, Robert J. Murphy, Mrs. Ann Mowbray.

TAKE A NEW LOOK AT YOUR INSURANCE DEPARTMENT

By **WILBUR ALLEN**

Cobbs, Allen & Hall Mortgage Company, Inc., Birmingham

THIS is a time, as almost never before, for the mortgage banker to be fully alert to the profit possibilities of his insurance department. There have been a great many changes in the insurance field in recent years and many of them offer opportunities which trained, aggressive and intelligent personnel can turn into profitable business—and, at the same time, perform a real service to the borrower.

In past years, only fire and extended coverage was written in connection with mortgage loans and normally in an amount sufficient only to cover the mortgage. Many mortgage bankers did not even mention to the borrower that perhaps he should carry additional insurance to cover his equity.

As an example of the changes mentioned—and the opportunities—consider, for instance, the rates applicable in the writer's community, Birmingham. Let's take a \$10,000 policy of fire and extended coverage, fire rate 16c, extended coverage 10c, combined 26c, producing an annual premium of \$26. Since the advent of the Special Form providing coverage for many other hazards in addition to fire and extended coverage at a rate of 9c, the more alert insurance people have been recommending this Special Form. Many others have been attaching it automatically.

This brings an annual premium from \$26 to \$35, an increase of 35 per cent, with a resulting increase in the agent's commission in the same ratio and with no more work involved.

More recently, the so-called "package" policy for residences known as the Homeowner's "A", "B", and "C" policies has been created. The Homeowner's "B" policy (the "B" is used as an example because the "A" is a restrictive form) for \$10,000 in Birmingham would automatically cover \$4,000 on the borrower's household furniture and protect him up to \$10,000 for injury sustained by others than the immediate members of the family, at or away from home and for the negligent acts of all members of the immediate family. This not only includes bodily injury but damage to property of others with a \$250 voluntary medical reimbursement for other than family members.

The first year's premium in Birmingham in this case would be \$61.24, the result being about 135 per cent increase in premium and commission over and above the fire and extended coverage way as has been done for so many years. When competent insurance people have a chance to talk to the borrower, explaining the advantages of the broader coverage, most of them are eager to secure the new "package" type policy. Many borrowers have never carried insurance on their household goods and the majority of people do not carry a sufficient amount. Usually they are glad to have someone call it to their attention.

It seems, too, that laws suits are becoming more prevalent. People trying to look out for the future and obtain security have become more cognizant of this and are more willing to purchase the liability coverage.

The best approach in explaining to the borrower the additional cost is to not quote an annual amount but, on the contrary, reduce it to a specific monthly amount. Everybody is accustomed to monthly installments, so the explanation is, "it will only cost you about \$2.42 more monthly and this can be included in your mortgage payment."

In accepting and utilizing these recent changes, insurance personnel do the borrower a service by keeping him informed, thus often reimbursing him for losses over which he has no control. Moreover, the mortgagee has more security and insurance department income is materially increased.

By the same token, aggressive insurance people will not stop their solicitation here as there is automobile, personal accident, hospitalization, major medical and even life insurance, which can and is being sold. Remember that the borrower must, of necessity, communicate with the mortgage banker at least monthly and generally for many years.

If you haven't reviewed your own operations, it would most likely pay you to do so now.

Insurance

From time to time THE MORTGAGE BANKER is publishing some comments and suggestions concerning the insurance side of our business. This series is under the direction of Philip C. Jackson, Jr., Birmingham, of the Insurance Committee.

The Aspirations for and

AFTER each term of the School of Mortgage Banking—and this year marks the end of the first decade of our School and predecessor Seminar—we in the MBA Educational Department always take a hard and thorough look at the sessions just concluded to evaluate what was offered, how it has been received and to weigh its importance. We like to put the School under the closest scrutiny to determine both its educational merit and its value to the industry. A close appraisal such as this tells us many things, some of which were not a part of our initial inquiry.

L. O. Kerwood

The first conclusion always seems to be that this business of mortgage lending and investing is fully alerted to its present-day status as one of America's key industries, that it is looking ahead to the future and, most significantly, that it *is* attracting the highest type of young men and women.

Another conclusion that is always in evidence is that our industry is changing, in fact, changing very rapidly; and that regardless of the extent of past experience, the working mortgage man is acutely conscious of the need to keep abreast of innovations and changes in this dynamic field. For the mortgage industry is truly a growth industry, one that has seen more changes and more improvements in less than a quarter of a century than in possibly any other in the nation. One School alumnus phrased it very well when he said, "If the United States is to attain its goal of an ever-rising standard of living while, at the same time, taking care of the needs of an ever-expanding population, the mortgage banking industry must grow and grow if it is to fulfill its function as the manager of real estate investment, and through such management provide the funds for the houses, shopping centers, apartment buildings, office buildings and miscellaneous commercial establishments that will be required."

A close look at the student body of the 1957 School of Mortgage Banking, both at Northwestern and Stanford Universities, indicates a great variety in the length of experience of those attending, positions held, age, type of company represented, geographical location and educational background. This is pleasing to those who plan and execute these annual offerings at the School because it indicates that the MBA educational program has wide appeal and is serving those with successful backgrounds of experience, as well as others who have just embarked upon careers in our field. This variation of representation has another important advantage not often appreciated. It is the fact that each student receives a variety of impressions from a variety of people who attend, which, in a sense, gives him an opportunity to receive a broad perspective of many points of view from many areas in the mortgage lending field.

This point was perhaps best expressed by an alumnus who said "I have found attendance at the School of Mortgage Banking to be a stimulating experience. Prior to attending and being associated with a mutual savings bank, I was most interested in and concerned with the viewpoint of the investor in our mortgage banking business. I think I have learned to have a much broader understanding and appreciation of the complexities and problems of the mortgage banker. It is always well to understand the viewpoint of the other fellow and this is one of the advantages to be derived from attending the School. Of course, one can never discount the many advantages to be derived from close association with other people in our business and the friendships made that become very valuable."

Those attending the sessions have the advantage of the most complete curriculum available in the field, with every course right at college level. They are provided with lectures, informal group discussions, field trips, home study courses and written examinations by a faculty of outstanding men of the Association, professional educators, and members from other professions. They are exposed to all classes of materials available in the field and are exposed to every operation of the industry. As a result, they develop broader perspectives, attain lasting friendships, gain confidence, find increased interest in their vocation, and feel closer to their profession.

In reviewing the makeup of the 1957 group, a recapitulation of the positions held within their respective firms, by personnel currently enrolled in the MBA School of Mortgage Banking reveals a wide range in experience and degree of responsibility. These students hold positions ranking all the way from president and owner to clerk and trainee.

These offices, distributed throughout companies varying considerably in type and size, include: president, owner, partner, vice president, assistant vice president, associate member, attorney, executive vice president, administrative assistant, treasurer, assistant treasurer, controller, department head, assistant department head, secretary, assistant secretary, collection manager, assistant manager, accounting supervisor, cashier, assistant cashier, supervisor tax and insurance, service manager, assistant service manager.

Also mortgage loan representative, mortgage interviewer, appraiser, mortgage assistant, mortgage clerk, mortgage underwriter, clerk, loan officer, mortgage supervisor, assistant director accounting and servicing, assistant director of public relations, mortgage solicitor, loan processor, loan inspector, assistant mortgage officer, in-

d Attainments of MBA's School

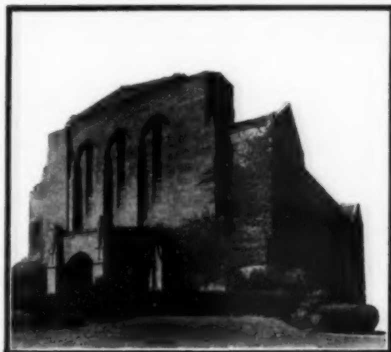
MBA's School of Mortgage Banking always makes an excellent impression on those who see it in action and now ranks among the top educational efforts sponsored by specific industries. But just how well is it doing its job, fulfilling its objectives? How well is it serving the mortgage industry, and equally important, how well does the industry appreciate its value for the future? This is a hard and thorough look at the accomplishments of what members in a position to know think is one of MBA's most worthwhile accomplishments.

surance department manager, field inspector, sales manager, and trainee.

There are more vice presidents (60) enrolled in the School program than any other single position. After vice presidents come manager (46), assistant vice president (39), assistant secretary (22), and assistant cashier (21). Also found in this diversified group of students are 19 appraisers, 19 loan officers, and 19 mortgage supervisors, as well as five presidents, three owners and three partners. Obviously, the School is not aimed at any one specific or limited segment of employees. Any number of employees, in any type of member firm, belong—appropriately enough—in the School of Mortgage Banking.

In the 1957 sessions, 288 companies were represented by one to sixteen students in the school program. T. J. Bettes Co., Houston, and The Bank of America, N. T. & S. A. in California each sent 16 representatives to one of the three courses offered. Mortgage companies account for 271 students; commercial banks, 89; insurance companies, 46; savings banks, 14; trust companies, 9; and title companies, 2. Four other students are from miscellaneously classified organizations.

Geographically, the School can boast of having wide-spread representation as 38 states, District of Columbia, Canada, Hawaii and Puerto Rico sent students. California leads with 98 students, followed by Texas, 33; Illinois, 26; New York, 24; Florida and Missouri 18. Arizona, Colorado, District of Columbia, Indiana, Kansas, Michigan, Minnesota, Ohio, Pennsylvania, Tennessee, Virginia and Washington, each have 9 or more students participating in the school program. This wide distribution indicates two things:



. . . at Northwestern

. . . at Stanford

By L. O. KERWOOD

MBA Director of Education and Research

›› *First,* that the curriculum as presented is appropriate for all segments of the country and for all types of mortgage activity, and

›› *Second,* that the opportunity for these students, from all parts of the country, to discuss their operations

MBA students have been well diversified as to the sections of the country where they live. The square flags represents those from Northwestern, the triangle flags are Stanford students.

and problems with one another, is one of the chief advantages of attending the School.

A tabulation of student ages reveals some interesting statistics. Ages range in this group from the low 20's to students well over 50. Thirteen students are under 25 years of age and twelve students are over fifty years of age. The most predominant age group attending the 1957 sessions are students between 25 and 34 years of age. This group accounted for over 50 per cent of the students. As long as a prospective student has had at least a year or two of experience in the mortgage banking field, his chronological age should not hamper his attendance. It is amazing how learning by students at both ends of this age scale can be so reciprocal.

It is interesting to note that 39 per cent of the students attending the Course I sessions have over 10 years experience in some phase of business. Seventy-six per cent of this same group, however, have five years or less experience in the mortgage field. This factor indicates the usefulness of the school to the experienced businessman, new in the mortgage industry.

As for educational background, nearly 60 per cent of the Course I students have a college degree. Thirty-six students hold a B.S. degree, 35 a B.A. or A.B.; 11 a B.B.A. and 5 a B.C.S. Nine students have obtained a master's degree and nine have an L.L.B. after their names. Some of our students have attended other professional schools, such as the American Institute of Banking (10 students); Small Homes Institute, and the School of Real Estate Practice.

Attendance at the School is not strictly a male prerogative. Out of a

(Continued on page 43)

California MBA Goes to the Top in a Period of Three Years

Rapid growth isn't anything new for California, and the California MBA is right in step with what is going on in the state at the present time by recording the most rapid expansion of any local MBA in the country. Only three years old, the organization is pushing the Texas MBA for the title as largest sectional organization. The group has just concluded its semi-annual meeting of officers, directors and committee chairmen at the Santa Barbara Biltmore in Santa Barbara. It was a three-day session and, as is traditional at California MBA events, the wives came along.

One of the main topics on the agenda was the planning of its next annual convention to be held in March in Palm Springs, but the current state of mortgage lending was the subject of intensive review.

California MBA committees are set up on a comprehensive basis, one for each area of the business; and for a state so large, each one has been an active working group. Legislation has come in for special attention.

California MBA publishes a detailed roster of members by states and cities with each member firm shown by officers, type of business done and other pertinent data.

California MBA officers go into executive session. Seated, left to right: Silas O. Payne, treasurer, San Francisco; Gordon Stimson, president, Beverly Hills; Roger C. Olson, vice president, Oakland; and Richard C. Larson, secretary, Beverly Hills. Directors, standing, left to right: George T. Gummerson, Los Angeles; Urban Wilde, Los Angeles; Willis R. Bryant, San Francisco; Harold D. Edelen, San Francisco; Eugene S. Cox, San Francisco; Ward D. Armstrong, Berkeley; Joseph R. Jones, Los Angeles; and Vaughn Cook, Beverly Hills.

The full complement of officers, directors and committee chairmen at the Santa Barbara pow-wow were, left to right: Mr. Gummerson; Mr. Jones; Mr. Bryant; Mr. Edelen; Rufus Freitag; Mr. Cook; Mr. Payne; Warren Tenney; Earle Taylor; Edward Muhsfeld; Mr. Wilde; Mr. Stimson; Roger Olson; George Mize; Tom Murphy; Hal G. Whittle; Malin Burnham; Charles D. Owen; John J. Lyman; Floyd Cerini; R. T. Edmonds; Mr. Cox; John Opperman; and Ward Armstrong.

It's a tradition at California MBA meetings that members bring their wives. Left, Mr. and Mrs. John J. Lyman, Los Angeles; Mr. and Mrs. Willis R. Bryant, San Francisco; and Mr. and Mrs. Hal G. Whittle, Los Angeles. Right, Mr. and Mrs. Tom Murphy, San Francisco; Mr. and Mrs. Silas O. Payne, San Francisco; and Mr. and Mrs. Earl Taylor, San Francisco.

W.A. Turnipseed Birmingham Head

Officers of the Birmingham MBA for the 1957-58 Association year were named at its recent meeting. Left to right, Paul T. Huck, The First National Bank of Birmingham, secretary; W. A. Turnipseed, Liberty National Life Insurance Company, president; F. S. White, Molton, Allen & Williams, Inc., vice president; and Edward Quinn, Jr., Nelson Weaver Mortgage Company, Inc., treasurer.

Which Loans Sell Is Chicago MBA Theme

The Chicago MBA got right down to the most important factor in the mortgage business today at its October meeting with the discussion built around "What Mortgages Can Be Sold Today?" James F. Messinger, treasurer, Charles H. Brandt & Company, Inc., spoke on "Single Family Residential Properties, Conventional and 203's"; Victor A. Malone, executive vice president, H. F. Philipsborn & Co., spoke on "Multi-Family Units, Conventional and 207's"; Michael Greenebaum, vice president, Lake Michigan Mortgage Company, spoke on "Industrial and Commercial Properties." Moderator was Robert H. Wilson, president, Percy Wilson Mortgage & Finance Corporation. Members responded to the lure held out by the meeting with a record turn-out.

Ernest Schumacher Heads Memphis MBA

Ernest P. Schumacher, president, United Service & Research, Inc., has been elected president of the Memphis MBA to succeed Max B. Ostner. T. E. Mitchell, vice president, E. H. Crump & Company was elected vice president, T. Frank Jones, vice president, Joyner-Heard Company, was named secretary-treasurer, and William F. Ledsinger, Leader Federal Savings & Loan Association, and W. Hamilton Smythe, Jr., Margolin Brothers, were elected directors.

N. C. MBA Holds a Conference

FHA's new certified program, which will shortly get a test run in six states, was outlined to members of the North Carolina MBA at their semiannual Conference in Asheville. Graham Northup, director of the effort in that state—one of the original six—and W. Howse Mead, FHA zone commissioner for District 3, told the objective behind the plan.

The two-day Conference of the North Carolina MBA was attended by a group of South Carolina members. The two organizations are considering a merger under some such name as the Mortgage Bankers Association of the Carolinas.

Eugene Knight of Tampa addressed the meeting on "The Trend Toward Conventional Loans," and Allen C. Tyler, FNMA loan manager in Washington, and Lawrence J. Widman, FHA state director in Greensboro, discussed their agencies' operations. W. G. Jerome, Stott Noble, Ed Coble and Ralph Mullins conducted a panel discussion on FHAs. C. C. Cameron, president of Cameron-Brown Company in Raleigh, discussed trends in the mortgage market. Carlyle McDowell, association president, presided.

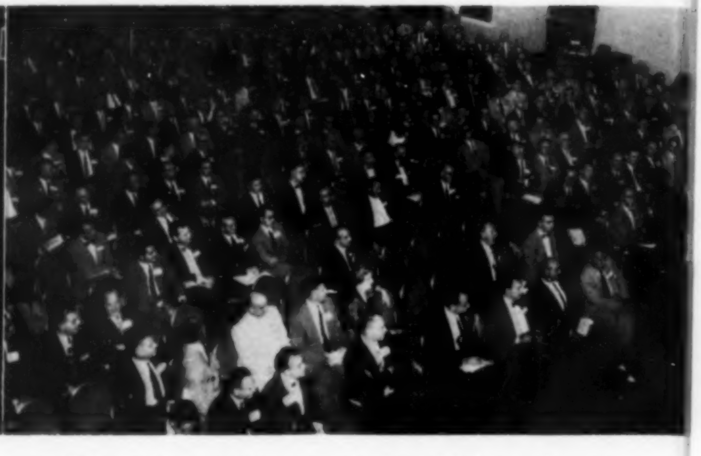
Left, registering with Martha Osborne were Carlyle McDowell, J. T. Chiott of Asheville, program chairman, and Allen Tyler.

San Diego Looks into FHA

Highlight of the September meeting of the San Diego MBA was the appearance of Paul Aiken, Los Angeles agency manager of FNMA, and Faye Hartman, FHA director for San Diego. A record-breaking turnout of members heard the government officials explain new housing regulations, their effect on FNMA and allowable discounts and fees.

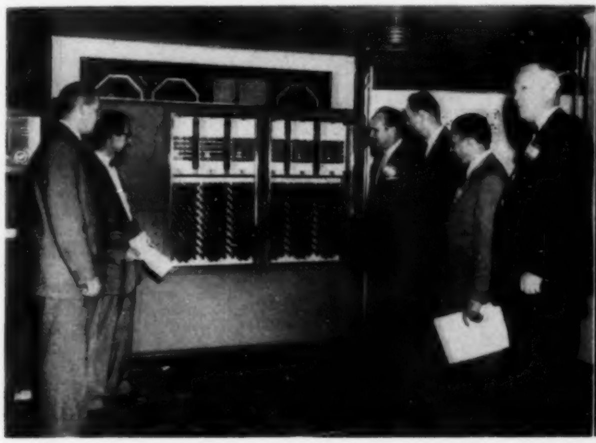
Shown here, seated, from left, Mr. Aiken and Miss Hartman. Standing, from left, Robert Black, vice president of the San Diego MBA, and vice president of the Palomar Mortgage Co., San Diego; and Henry Rasmussen, Jr., president of the Association and manager of the mortgage department of John Burnham & Company, San Diego.

>> **THEY WERE THERE:** MBA General Counsel **Samuel E. Neel** addressed the Philadelphia MBA at their September meeting on changes in housing legislation . . . and then went to Denver where he spoke on the same subject before members of the Denver MBA. . . . In Cleveland, **Harry R. Templeton,** vice president, Cleveland Trust Company, addressed the Cleveland MBA on the current mortgage situation. **Robert D. Templeman,** vice president, National City Bank of Cleveland, presided.



» THE MARKET WAS THERE: Because it was a new and untried idea and because there was a question mark as to whether the industry had progressed far enough for the electronic meeting, attendance was difficult to gauge. But the market was ready, as witness the 470 who attended. On the opposit page, left, some Clinic-eers inspect Remington Rand's Univac, which points the way to the future in mechanical record-keeping and computing. Right, at one of the beginners sessions with T. A. Walsh and Walter Barry conducting.

» A DIFFERENT PLAN: Many of the Clinic sessions were small intimate groups like those above. On the left, MBA's servicing men, Robert J. Murphy and James M. Wasson join Al Pardoe of IBM to conduct one of them. The machine at the right is IBM's Cardatype. Below, at the luncheon which heard Lt. Gen. Leslie R. Groves and, right, President John F. Austin, Jr., Walter C. Nelson of Minneapolis, Aubrey M. Costa of Dallas and Jack C. East of Little Rock. Those attending saw the servicing operations of tomorrow—which for some are here now.



New Ideas for a New Day

Automation in the banking and mortgage lending fields, as reflected in the development and wider use of electronic equipment, will widen the responsibility of management, not narrow it as many seem to believe, Lt. Gen. Leslie R. Groves, U. S. Army, (ret.), vice president of the Remington Rand division of Sperry Rand Corporation, declared at MBA's first Electronic and Tabulating Equipment Servicing Clinic in New York.

"The role of management will widen, not narrow, as a result of the developing use of electronic data handling," he said.

"Bank management must continue as in the past to learn new skills, but these skills will become more and more uniquely managerial. They will call for the best efforts that can be put forth and all the assistance obtainable from the coming, or rather today's, age of automation.

"This is the problem, so similar to many of the past, that automation poses for management; and the management that lets itself be left behind in this age of electronic computation will not be the successful management of the future.

"The growing use of electronic computation in banking holds a significant foretaste of what management of the future will expect of its accounting and reporting systems. Necessarily, all of us drive down the highway of business with our eyes on the rear-vision mirror. We all have to depend to some extent on the past for the basis of our decisions. We try to project past experience into the future. Our success is greatly influenced by our ability to translate past experience into future happenings.

"The road ahead is fairly safe when the way is pointed out by the roadmap of historical experience. But, unfortunately, in most business and industrial operations of today historical experience does not become available until it is so ancient that it is often inapplicable."

What members saw at this Electronic and Servicing meeting was the latest and most modern methods of loan servicing, the way this operation can be handled at greatest speed in the most economical way. Every firm isn't ready for all this yet but when they are, the procedures are proven and waiting. The electronic age in mortgage operation was on display and when it comes to full flower in the industry, changes undreamed of two decades ago will occur.

Missiles and Mortgages. Investors See

A Real Housing Shortage

STRUNG out over the length and breadth of the nation and its possessions is the vast and complex system of military installations which actually constitute just about the basis of the country's defense machine. And common to about all of them is the shortage of housing because, without adequate housing, maximum efficiency becomes a goal rather than a reality. The country's giant Redstone Arsenal in Huntsville, Alabama is a case in point. The most important unit in the guided missile program, it needs 2,500 additional houses—and needs them desperately. Maj. Gen. J. B. Medaris of the Army Ballistic Missile Agency decided to take a new approach recently when he invited a group of institutional investors and mortgage lenders to see exactly what the government has in Redstone and the need for housing which it has created.

»THEY INSPECTED BIG U. S. MISSILE INSTALLATION: Institutional investors who toured Redstone Arsenal where housing is desperately needed. Front row, left to right: Romaine Scott, vice president, Protective Life Insurance Co., Birmingham; A. R. Flowers, field man, Metropolitan Life Insurance Co., Birmingham; Cliff Morse, assistant field man, Metropolitan Life Insurance Co., Birmingham; G. S. Chaffin, mortgage loan supervisor, Pilot Life Insurance Co., Nashville; W. A. Turnipseed, mortgage loan officer, Liberty National Life Insurance Co., Birmingham. Back row, left to right: Ehney A. Camp, vice president, Liberty National Life Insurance Co., Birmingham; William B. Ross, regional loan manager, Northwestern Mutual Life Insurance Co., Atlanta; J. F. Cravens, eastern manager, loan territory, National Life & Accident Insurance Co., Nashville; D. A. Ward, supervisor, mortgage loan department, Provident Mutual Life Insurance Co., Philadelphia, Birmingham; John C. Hall, president, Cobbs, Allen & Hall Mortgage Co., Inc., Birmingham; W. C. Weaver, Jr., vice president, National Life & Accident Insurance Co., Nashville; W. E. Leland, manager, mortgage loan department, Life Insurance Co. of Georgia, Atlanta; and Earl Forsyth, manager, mortgage loan department, New York Life Insurance Co., Atlanta.

Doubt as to an installation's permanence has plagued the armed forces in their search for housing just about everywhere.

Gen. Medaris recognized it and declared that he hoped to destroy the myth "which has bedeviled and haunted us in every constructive thing we've tried to do in this community.

"It is a mistaken notion that the future of Redstone and Huntsville is in any way dependent upon one missile project, the Jupiter."

He said that the peak of 4,100 persons now employed by ABMA was set with the possibility in mind that Jupiter might be superseded, and that the 4,100 persons was the number which could be utilized by the agency in other projects should the Jupiter be discontinued . . . and I don't think it will!

"If we had spent all our money and concentrated all our skills and resources on a single project, none of us have a right to be here.

"We did not do so initially and we are not doing so now. Before Jupiter was conceived, sound plans had been made for this area in terms of the future, the capabilities of our people and the resources of the installation. We determined then what could be done with these skills and facilities over a period of many years."

Referring to the future of rocketry, he said that "we are witnessing a revolution as profound in weapons as was the development of gunpowder or of breech-loading mechanisms for guns and cannon.

"Wherever the initial knowledge in new weaponry is concentrated and first applied successfully to the military need, there follow from 75 to 150 years of continuing activity in that field."

He pointed to the distinction between Army camps, where the only requirement is to shelter large numbers of men, and technical installations such as Redstone where the Army invests large sums in permanent facilities for continuing development of weapons.

"This is the only installation owned and operated by your armed services which is capable of development, engineering, and the application of the most profound scientific knowledge to devise, invent, carry to prototype production, test and approve any weapons systems in the field of rockets and guided missiles.

"We have collected here the most formidable group of intelligence and brainpower I've ever seen."

The fact that a large percentage of government personnel working on the Arsenal have bought, are buying or want to buy homes "is the best possible assurance of their own evaluation of the future stability of our activities." Gen. Medaris said.

"We are going to show you as taxpayers the permanent facilities you own which are dedicated to a challenging new frontier and not related to an old weapons concept."

Before the Redstone expansion which began in 1956, Gen. Medaris reported there was a shortage of 1,500 housing units in Huntsville. The building since then has not kept pace with demand, and estimated that at least 2,500 units are now required.

There are 150 applications for mortgages under 809 certificates "looking for money." All, he said, are those of permanent civil service employes who have high educational qualifications, fine personal qualifications, and who want to raise their families here.

There has been no drop in housing demand, despite the number of new homes constructed in 1955 and 1956. Some personnel are driving 50 and 60 miles daily to and from the Arsenal; military personnel are being separated from their families because of lack of housing.

MBA Vice President John C. Hall, and president of Cobbs, Allen & Hall Mortgage Company, Birmingham, told the investors and others who attended the luncheon meeting during the tour that out of 722 loans negotiated by his firm in Huntsville, not one is delinquent. Referring to the good labor situation in Huntsville and the abundance of electricity and water as favorable to further growth, he said the fact that many employes of Huntsville industries commute 25-30 miles daily points to the need for more homes.

»THEY SAW A ROCKET FIRED: The investors and mortgage bankers who went to Redstone Arsenal saw a small rocket set off from the ramp in the background, as well as the firing mechanism of the Jupiter fired. Here Pfc. Don Gaines of Rocket Development Laboratories explains the testing procedures for airborne rockets on Redstone's ballistic ramp. Left to right, Mayor R. B. Searcy of Huntsville; Mr. Camp; C. B. Holliman, FHA State Director, Birmingham; and Mr. Hall.

SCHOOL OF MORTGAGE BANKING

(Continued from page 36)

total of 435 students, Northwestern sessions include nine women students, Stanford sessions account for three. Women, obviously, are very much a part of the student body. In summary, our analysis of 1957 results again leads to the conclusion that this training could prove beneficial to most anyone in the mortgage banking business.

There was a time when a high school diploma had a certain specific economic advantage over a grade school education. The college degree had an even greater value and, understandably, a master's degree meant even more in the attainment of one's ambitions in whatever career was being pursued. These variations in advantages which come from education still exist and, in fact, are even more important as higher education has become more widespread. But we never lose the need to know. Change is inevitable. Nothing stays the same for very long in a swiftly-changing dynamic era like the present. That is one of the great advantages which the MBA School of Mortgage Banking is providing—the opportunity for keeping abreast of all that is new and best in a field of endeavor where change has been the most significant characteristic.

P. Warren Smith, formerly with the Paramount Fire Insurance Company and more recently a partner of Herbert V. Jones & Company in Kansas City, has been elected president and director of the Fire and Casualty Insurance Company of Hartford. Principal stockholder of Fire and Casualty has purchased control of the Security Insurance Company, Connecticut Indemnity Company and the Security-Connecticut Life Insurance Company, all of New Haven.

American United Life Insurance Company announced appointment of **Warren D. Couger** as director of group mortgage insurance. Couger has been executive secretary of Regional Committee VIII, Voluntary Home Mortgage Credit Program, for the past two years.


Warren D. Couger

Acquisition of the facilities and staff of Coonley and Green, Inc., Evanston, Ill., has been announced by **Harold Stout,** president of the First Commercial Bank. **George T. Coonley,** president of Coonley and Green, has become a vice president of the bank and will direct its mortgage loan division. The entire Coonley and Green organization will move into the bank's headquarters.

Founded in 1898, Coonley and Green is one of the oldest mortgage houses in the Chicago area.

Milford A. Vieser, financial vice president of The Mutual Benefit Life Insurance Company, Newark, has been named as United States delegate to the Conference of the Economic Commission for Europe, in Geneva, Switzerland, November 20-22, it was announced by the State Department. He will deliver a speech on housing in America and in the Western World with particular reference to the financing of housing and building programs. Mr. Vieser is chairman of the Joint Committee on Housing and Mortgage Finance of the American Life Convention and the Life Insurance Association of America. He has appeared before the Banking and Currency Committee and other congressional committees on housing, mortgage and economic matters during the past four years.

STATEMENT REQUIRED BY THE ACT OF AUGUST 24, 1912, AS AMENDED BY THE ACTS OF MARCH 3, 1933, AND JULY 2, 1946, (Title 39, United States Code, Section 233) SHOWING THE OWNERSHIP, MANAGEMENT, AND CIRCULATION OF THE MORTGAGE BANKER, published monthly at Chicago, Ill., for September, 1957.

1. The names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, Mortgage Bankers Association of America, 111 W. Washington St., Chicago 2, Ill.; Editor, George H. Knott; Managing Editor, None; and Business Manager, None.

2. The owner is: (If owned by a corporation, its name and address must be stated and also immediately thereunder the names and addresses of stockholders owning or holding 1 per cent or more of total amount of stock. If not owned by a corporation, the names and addresses of the individual owners must be given. If owned by a partnership or other unincorporated firm, its name and address, as well as that of each individual member, must be given.) Mortgage Bankers Association of America, 111 W. Washington Street, Chicago 2, Illinois.

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5. The average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the 12 months preceding the date shown above was: (This information is required from daily, weekly, semiweekly, and triweekly newspapers only.)

GEORGE H. KNOTT
Editor

Sworn to and subscribed before me this 17th day of September, 1957.

Jean A. Biermann, Notary Public
(My commission expires July 2, 1961.)